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10-2018

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31 Oct 2018

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In the era of digital economy, bike-sharing platforms have grown rapidly. However, not all of them survived the competition. Why?

Bike-sharing companies were once the hottest tech companies in mainland China and Hong Kong. However, in July, Hong Kong's first bike-sharing company Gobee.bike shut down its business, ending its short-lived 15 months of operation.

In a Facebook announcement, Raphael Cohen, CEO of Gobee.bike, explained that the company had not been able to make the service profitable, and the financial costs of maintaining the bikes in their best condition had proven to be too high to sustain the business.

The competition in mainland Chinese bike-sharing market is even more cut-throat. Many smaller bike-sharing startup companies ended their services starting in 2017. The five-month old startup Wukong Bicycle was the first company to go burst in China after losing 90 percent of its bicycles to theft. Now, there are only three major players left on the table – Ofo, HelloBike and Mobike, all of which are supported by deep-pocket Chinese tech giants.

"Bike-sharing companies follow the growth model in the new digital economy. With subsidies, these companies have grown rapidly. However, they still couldn't find a way to turn a profit. Many operations are just burning cash and those with limited funding have no choice but to call it quit," says Prof. **Timon Du** of Decision Sciences and Managerial Economics at The Chinese University of Hong Kong (CUHK) Business School.

In fact, the cost for customers to share these bikes is not expensive. For example, Gobee.bike charged HK$2.5 for 15 minutes with a deposit of HK$399. And most companies in mainland China only charged RMB$1-2 per hour and some even don't require a deposit. So, it makes one wonder, how do these bike-sharing companies even make any money at all?

Most people might think that the revenue stream of bike-sharing companies is by analysing the data of bike users that these companies have collected. However, according to Prof. Du, this model may not be so lucrative. "Since the collected location-related data has limited use for commercial purpose or advertisement, the actual content and value of the data remain questionable," he says.

"If an industry has very limited profit-making channels, even those who can survive may not be able to operate independently. Individual platforms have to merge in order to build an ecosystem that can expand their profits," says Prof. Du.

In fact, bike-sharing isn't a completely revolutionary invention. Many cities in the world already started providing public-use bicycles years before the emergence of these bike-sharing startups in mainland China and Hong Kong. But, one of the problems of the Chinese bike-sharing system is its dockless system, meaning users can pick up the bikes by simply swiping a QR code on their smartphone and park the bikes anywhere they want instead of returning to a station. While this feature may seem ideal in theory, it creates many problems in reality – For one, piles of abandoned and damaged bikes become a common sight in streets of China. In Hong Kong, some of these colourful bikes have been dumped even in the river.

Prof. Du has doubts about the dockless bike-sharing system as well.

“The dockless bike-sharing system clearly falls short of the society’s expectations. A dockless system may provide convenience for bike users, but it also creates chaos in the community,” he comments. “Any orderly society will not accept such chaos. Only a well-planned and well-managed bike-sharing mechanism can be sustainable.”

In his opinion, Taipei’s Youbike is an example of a good bike-sharing system.

YouBike started in 2009 with 500 bikes and 11 bike stations in Taipei city. It has since increased its bikes to more than 5,000 and has over 150 stations.

“There are fixed bike stations and even repair services provided for users, all of which have contributed to its high usage and positive reception from the public,” he says.

He also recommends to enhance the system further by integrating digital maps into the bike-sharing information in their routes. Then, these public bikes can be used to solve the ‘last mile’ problem, he says, referring to the difficulty of urban commuting that public transportation cannot always take us to our final destination.

“If bikes are used to connect the ‘last mile’, then they must be connected to urban planning. There must be a comprehensive infrastructure from picking up, parking and returning the bike.”

Prof. Du believes Hong Kong can benefit from a bike-sharing system similar to YouBike’s and with better urban planning.

“As mass transportation in Hong Kong is mainly comprised of railways, MTR stations can become the key locations for bike stations. People who live within a reasonable distance from the MTR can choose to borrow a bike to ride home instead of walking. If there is a bike station located just a few minutes from their homes, bike riding will become a natural choice to connect the ‘last mile’.

In fact, many major cities in the world are promoting cycling as a clean and healthy way to commute. But Hong Kong seems to be falling behind this trend. Not only the city’s bike lanes and parking facilities are rarely used, injuries and even deaths have frequently occurred among Hong Kong cyclists. Community groups including some frustrated cyclists earlier formed a campaign called City Cycling Action to urge the government to upgrade the city’s roads to be more bike-friendly.

“The Hong Kong government can use the growth of bike-sharing systems to alleviate the ‘last mile’ problem. Although the data collected by bike-sharing has limited value in terms of profit-making, they can be put in excellent use in urban planning,” Prof Du comments. “Now the chess is in the government’s hand.”

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